

1 BILL LOCKYER, Attorney General
of the State of California
2 JAMES F. AHERN, State Bar No. 147620
Deputy Attorney General
3 California Department of Justice
300 So. Spring Street, Suite 1702
4 Los Angeles, CA 90013
Telephone: (213) 897-5315
5 Facsimile: (213) 897-2804

6 Attorneys for Complainant

7 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
8 **DEPARTMENT OF CONSUMER AFFAIRS**
9 **STATE OF CALIFORNIA**

10 In the Matter of the Accusation Against:

11 ARI HAHYAR
2910 Arizona Avenue, Unit 8
12 Santa Monica, CA 90404

13 Certified Public Accountant License No. CPA
71749

14 Respondent.
15

Case No. AC-2002-8

OAH No. L-2002050064

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

16
17 In the interest of a prompt and speedy settlement of this matter, consistent with
18 the public interest and the responsibility of the California Board of Accountancy of the
19 Department of Consumer Affairs, the parties hereby agree to the following Stipulated Settlement
20 and Disciplinary Order which will be submitted to the Board for approval and adoption as the
21 final disposition of the Accusation.

22 **PARTIES**

23 1. Carol B. Sigmann (Complainant) is the Executive Officer of the California
24 Board of Accountancy. She brought this action solely in her official capacity and is represented
25 in this matter by Bill Lockyer, Attorney General of the State of California, by James F. Ahern,
26 Deputy Attorney General.

27 2. Respondent Ari Hahyar (Respondent) is represented in this proceeding by
28 attorney Raymond S. Finn, whose address is 15760 Ventura Blvd., Suite 700, Encino, Ca. 91436.

1 3. On or about July 19, 1996, the California Board of Accountancy issued
2 Certified Public Accountant License No. CPA 71749 to Ari Hahyar (Respondent). The License
3 was in full force and effect at all times relevant to the charges brought in Accusation No.
4 AC-2002-8 and will expire on September 30, 2002, unless renewed.

5 JURISDICTION

6 4. Accusation No. AC-2002-8 was filed before the California Board of
7 Accountancy (Board), Department of Consumer Affairs and is currently pending against
8 Respondent. The Accusation and all other statutorily required documents were properly served
9 on Respondent on April 23, 2002. Respondent timely filed his Notice of Defense contesting the
10 Accusation. A copy of Accusation No. AC-2002-8 is attached as exhibit A and incorporated
11 herein by reference.

12 ADVISEMENT AND WAIVERS

13 5. Respondent has carefully read, fully discussed with counsel, and
14 understands the charges and allegations in Accusation No. AC-2002-8. Respondent has also
15 carefully read, fully discussed with counsel, and understands the effects of this Stipulated
16 Settlement and Disciplinary Order.

17 6. Respondent is fully aware of his legal rights in this matter, including the
18 right to a hearing on the charges and allegations in the Accusation; the right to be represented by
19 counsel at his own expense; the right to confront and cross-examine the witnesses against him;
20 the right to present evidence and to testify on his own behalf; the right to the issuance of
21 subpoenas to compel the attendance of witnesses and the production of documents; the right to
22 reconsideration and court review of an adverse decision; and all other rights accorded by the
23 California Administrative Procedure Act and other applicable laws.

24 7. Respondent voluntarily, knowingly, and intelligently waives and gives up
25 each and every right set forth above.

26 CULPABILITY

27 8. Respondent admits the truth of each and every charge and allegation in
28 Accusation No. AC-2002-8.

1 9. Respondent agrees that his Certified Public Accountant License is subject
2 to discipline and he agrees to be bound by the Board's imposition of discipline as set forth in the
3 Disciplinary Order below.

4 CIRCUMSTANCES IN MITIGATION

5 10. Respondent Ari Hahyar has never been the subject of any disciplinary
6 action. He is admitting responsibility at an early stage in the proceedings.

7 RESERVATION

8 11. The admissions made by Respondent herein are only for the purposes of
9 this proceeding, or any other proceedings in which the California Board of Accountancy or other
10 professional licensing agency is involved, and shall not be admissible in any other criminal or
11 civil proceeding.

12 CONTINGENCY

13 12. This stipulation shall be subject to approval by the California Board of
14 Accountancy. Respondent understands and agrees that counsel for Complainant and the staff of
15 the California Board of Accountancy may communicate directly with the Board regarding this
16 stipulation and settlement, without notice to or participation by Respondent or his counsel. By
17 signing the stipulation, Respondent understands and agrees that he may not withdraw his
18 agreement or seek to rescind the stipulation prior to the time the Board considers and acts upon
19 it. If the Board fails to adopt this stipulation as its Decision and Order, the Stipulated Settlement
20 and Disciplinary Order shall be of no force or effect, except for this paragraph, it shall be
21 inadmissible in any legal action between the parties, and the Board shall not be disqualified from
22 further action by having considered this matter.

23 13. The parties understand and agree that facsimile copies of this Stipulated
24 Settlement and Disciplinary Order, including facsimile signatures thereto, shall have the same
25 force and effect as the originals.

26 14. In consideration of the foregoing admissions and stipulations, the parties
27 agree that the Board may, without further notice or formal proceeding, issue and enter the
28 following Disciplinary Order:

1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8

1. **Obey All Laws.** Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

3. **Personal Appearances.** Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the Board or its designated representatives, provided such notification is accomplished in a timely manner.

5. **Practice Investigation.** Respondent shall be subject to, and shall permit, practice investigation of the Respondent's professional practice. Such a practice investigation shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.

7. **Tolling of Probation For Out-of-State Residence/Practice.** In the event

Respondent should leave California to reside or practice outside this state, Respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the Board.

8. **Violation of Probation.** If Respondent violates probation in any respect, the Board, after giving Respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

9. **Completion of Probation.** Upon successful completion of probation, Respondent's license will be fully restored.

10. **Continuing Education Courses.** Respondent shall complete 40 hours of professional education courses as specified by the Board or its designee at the time of Respondent's first probation appearance. The professional education courses shall be completed within a period of time designated and specified in writing by the Board or its designee, which time-frame shall be incorporated as a condition of this probation. This 40-hour education requirement shall be part of the minimum 80-hours required for active license renewal.

Failure to satisfactorily complete the required courses as scheduled or failure to complete these courses no later than 100 days prior to the termination of probation shall constitute a violation of probation.

11. **Samples - Audit, Review or Compilation.** During the period of probation, if the Respondent undertakes an audit, review or compilation engagement, or engages in planning, directing, or performing substantial portions of the work, or reporting on an audit of financial statements, the work described herein must be reviewed, prior to issuance, by another

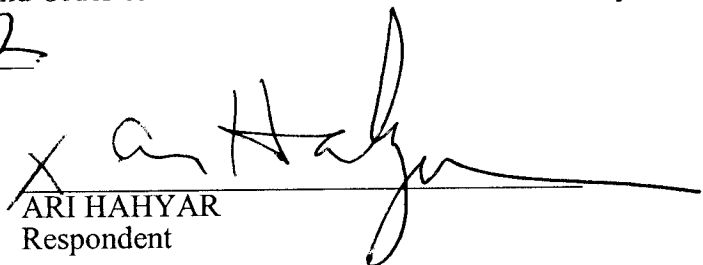
1 California licensee approved by the Board, at the Respondent's expense.

2 12. **Cost Reimbursement.** Respondent shall reimburse the Board \$2427.12
3 for its investigation and prosecution costs. The payment of \$2427.12 shall be made in six
4 quarterly installments of \$404.52 each. The first installment shall be submitted with the quarterly
5 probation report due for the quarter ending December 2002, and continuing thereafter every
6 quarter with installments of \$404.52 until the full amount of \$2427.12 is paid. All installments
7 must be paid in full no later than six months before the date of the end of probation.

8
9
10 ACCEPTANCE

11 I have carefully read the above Stipulated Settlement and Disciplinary Order and
12 have fully discussed it with my attorney, Raymond S. Finn, Attorney at Law. I understand the
13 stipulation and the effect it will have on my Certified Public Accountant License. I enter into
14 this Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and
15 agree to be bound by the Decision and Order of the California Board of Accountancy.

16 DATED: 07-19-02

17
18 
19 ARI HAHTYAR
20 Respondent

21 I have read and fully discussed with Respondent Ari Hahtyar the terms and
22 conditions and other matters contained in the above Stipulated Settlement and Disciplinary
23 Order. I approve its form and content.

24 DATED: 7/23/02

25 
26 RAYMOND S. FINN, ATTORNEY AT LAW
27 Attorney for Respondent
28

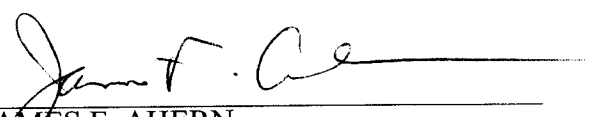
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ENDORSEMENT

The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully submitted for consideration by the California Board of Accountancy of the Department of Consumer Affairs.

DATED: July 26, 2002

BILL LOCKYER, Attorney General
of the State of California



JAMES F. AHERN
Deputy Attorney General

Attorneys for Complainant

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

ARI HAHYAR
2910 Arizona Avenue, Unit 8
Santa Monica, CA 90404

Certified Public Accountant License No. CPA
71749

Respondent.

Case No. AC-2002-8

OAH No. L-2002050064

DECISION AND ORDER

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in this matter.

This Decision shall become effective on October 25, 2002.

It is so ORDERED September 25, 2002.



FOR THE CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

Exhibit A
Accusation No. AC-2002-8

1 BILL LOCKYER, Attorney General
of the State of California
2 JAMES F. AHERN, State Bar No. 147620
Deputy Attorney General
3 California Department of Justice
300 So. Spring Street, Suite 1702
4 Los Angeles, California 90013
Telephone: (213) 897-5315
5 Facsimile: (213) 897-2804

6 Attorneys for Complainant

7 **BEFORE THE**
8 **BOARD OF ACCOUNTANCY**
9 **DEPARTMENT OF CONSUMER AFFAIRS**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2002-8

12 ARI HAHYAR
2910 Arizona Avenue, Unit 8
13 Santa Monica, CA 90404

A C C U S A T I O N

14 Certified Public Accountant
License No. 71749

Respondent.

15
16
17 Complainant alleges:

18 **PARTIES**

19 1. Carol B. Sigmann (Complainant) brings this Accusation solely in her
20 official capacity as the Executive Officer of the California Board of Accountancy, Department of
21 Consumer Affairs.

22 2. On or about July 19, 1996, the California Board of Accountancy (Board)
23 issued Certified Public Accountant Certificate Number 71749 to Ari Hahyar (Respondent). The
24 certificate is subject to renewal every two years. The applicable renewal period for this certificate
25 is October 1, 2000, through September 30, 2002. The license was renewed on "active" status on
26 or about September 18, 2000. The Certified Public Accountant License was in full force and
27 effect at all times relevant to the charges brought herein and will expire on September 30, 2002,
28 unless renewed.

1 license shall not deprive the Board of jurisdiction to proceed with a disciplinary action during the
2 period within which the license may be renewed, restored, reissued or reinstated.

3 **BOARD RULES¹**

4 8. Title 16, California Code of Regulations Section 58, states that licensees
5 engaged in the practice of public accountancy shall comply with all applicable professional
6 standards, including, but not limited to, generally accepted accounting principles and generally
7 accepted auditing standards.

8 **PROFESSIONAL STANDARDS**

9 9. Generally Accepted Auditing Standards ("GAAS"), promulgated by the
10 American Institute of Certified Public Accountants ("AICPA"), and issued by the Auditing
11 Standards Board, are to be adhered to on all auditing engagements. Statements on Standards for
12 Attestation Engagements are issued by the Auditing Standards Board, and other Committees of
13 the AICPA, and, like auditing standards, are to be followed on attestation engagements. Both the
14 auditing standards and the attestation standards are contained in the Codification of Statements on
15 Auditing Standards, published by the AICPA. Auditing standards are codified by AU number:
16 attestation standards, by AT number. The sections pertinent herein include, without limitation,
17 AU Section 230 ("Due Care in the Performance of Work") and 311 ("Planning and Supervision"),
18 as well as AT Section 500 *et seq.* ("Compliance Attestation").

19 10. Government Auditing Standards, promulgated by the Comptroller General
20 of the United States, include standards for audits of government organizations, programs,
21 activities, and functions, and of government assistance received by contractors, nonprofit
22 organizations, and other nongovernment organizations. They are to be followed by auditors when
23 required by law, regulation, agreement, contract, or policy. The sections pertinent herein include,
24 without limitation, Section 3.6, which deals with continuing education requirements, and Sections
25 6.63 through 6.65, which deal with working paper requirements. Government Auditing Standards

26
27
28 ¹ Board of Accountancy Rules and Regulations are codified in Title 16, California Code of Regulations,
beginning with Division 1, Section 1, under corresponding numbers and are hereinafter referenced as "Board Rules."

1 are often referred to as the "Yellow Book." The 1994 revision of the Yellow Book is pertinent to
2 the matter discussed following.

3 11. The guide entitled "Compliance Audits (Attestation Engagements) of the
4 Federal Student Financial Assistance Program at Participating Institutions" ("SFA audit guide"),
5 issued by the United States Department of Education ("ED"), is to be followed by all recipients of
6 student financial assistance ("SFA") funds. Applicable to the matter described herein is the June
7 1995 edition of the SFA audit guide.

8 CAUSE FOR DISCIPLINE

9 12. Hamma and Nelson was engaged to perform, and did perform, a
10 compliance audit of the Federal Student Financial Assistance Program at Platte College, San
11 Francisco, for the award year ending June 30, 1996. Respondent, as staff assistant, performed all
12 fieldwork in support of said audit. The compliance audit performed by Hamma and Nelson was
13 rejected by ED.

14 13. The work papers in support of said audit, which were prepared by
15 Respondent, contain departures from the SFA audit guide, as summarized below.

16 A. The work papers, in support of the compliance audit, do not
17 evidence a review of prior audit findings, as required by the SFA audit guide, page I-6.

18 B. The work papers do not demonstrate that management's written
19 assertions were obtained, as required by AT Section 500.70. AT Section 500.09 states
20 that a practitioner may perform an engagement related to management's written
21 assertions, about an entity's compliance with specified requirements or about the
22 effectiveness of the internal control structure over compliance, only if management accepts
23 responsibility for and evaluates the entity's compliance with specified requirements and the
24 effectiveness of the entity's internal control structure over compliance.

25 C. The work papers do not document adequately the sampling
26 methodology used to test management's assertions on student eligibility, disbursements,
27 and refunds in Section II of the SFA audit guide. Section I of the SFA audit guide, pages
28 I-10 and I-11, requires that the population of students who received Title IV assistance

1 during the award year be segregated into two universes, and those two universes of
2 students be used to calculate a withdrawal benchmark. The universe size dictates the
3 sample sizes and the withdrawal benchmark rate dictates the sampling methodology.

4 D. The work papers do not contain documentation showing that the
5 auditor reviewed or tested the institutional eligibility ratios. The SFA audit guide (pages
6 II-4, II-5, Procedure “g”) requires that the auditor obtain from the institution the
7 calculation of institutional eligibility ratios, then recompute the institution’s calculation and
8 test the universes used for completeness and proper classification.

9 E. The work papers do not document that the auditor’s review of
10 student eligibility included tests required by the SFA audit guide pages II-11, II-12,
11 procedures “b” and “c.”

12 F. The work papers do not evidence that a sample of student status
13 confirmation reports were tested for accuracy and timeliness of submission or that an
14 inquiry was made of management to determine if the institution was entitled to receive
15 credit or reimbursement for any Pell grant awards not previously recognized by ED, as
16 required by the SFA audit guide page II-7, procedures “d” and “e.”

17 G. The work papers do not evidence that the auditor reviewed the
18 college’s direct loan process, for insuring a complete and accurate Office of Postsecondary
19 Education identification number on loans, and that actual disbursement dates were input
20 into the Direct Loan software system, as required by the SFA audit guide, page II-17,
21 procedure 2.

22 14. The compliance audit performed by Hamma and Nelson is subject to
23 Yellow Book requirements because Platte College receives government assistance. The work
24 papers, in support of the compliance audit of Platte College, do not meet the documentation
25 requirements set forth in the Yellow Book. In particular, the work papers fail to document
26 objectives, scope, and methodology; and, the work performed to support significant conclusions
27 and judgments.

28 15. The work papers, in support of the compliance audit of Platte College,

1 contain the following departures from GAAS.

2 A. The work papers do not demonstrate that the work was adequately
3 planned, as set forth in AU Section 311.

4 B. The work paper deficiencies identified in paragraphs 13 and 14
5 above demonstrate a lack of due care in the performance of the work. Due care imposes a
6 responsibility upon each person within a firm to observe the standards of supervision and
7 reporting. AU Section 230 addresses the subject of due care in the performance of the audit.

8 16. Respondent's acts, set forth hereinabove, collectively and individually
9 constitute unprofessional conduct, in violation of Section 5100 of the Code; gross negligence, in
10 violation of Section 5100(c) of the Code; and, failure to comply with applicable professional
11 standards, in violation of Section 5100(f) of the Code and Board Rule 58.

12
13
14
15 **PRAYER**

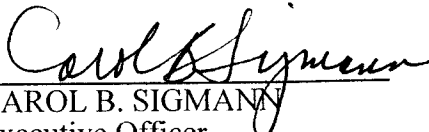
16 WHEREFORE, Complainant requests that a hearing be held on the matters herein
17 alleged, and that following the hearing, the Board issue a decision:

18 1. Revoking, suspending, or otherwise imposing discipline upon Certified Public
19 Accountant Certificate Number 71749, issued to Ari Hahyar;

20 2. Ordering Ari Hahyar to pay to the Board the reasonable costs of investigation
21 and prosecution of this case, pursuant to Code Section 5107;

22 3. Taking such other and further action as the Board deems proper.

23 DATED: April 17, 2002

24 
25 CAROL B. SIGMANN
26 Executive Officer
27 California Board of Accountancy
28 Department of Consumer Affairs
State of California
Complainant